

**REPORT OF THE AUDIT OF THE  
CALDWELL COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**

**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**CALDWELL COUNTY FISCAL COURT**

**June 30, 2007**

Romaine & Associates, PLLC has completed the audit of the Caldwell County Fiscal Court for fiscal year ended June 30, 2007. We have issued an unqualified opinion, on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Caldwell County, Kentucky.

**Financial Condition:**

The county had net assets of \$5,707,620 as of June 30, 2007. The county had unrestricted net assets of \$1,551,977 in its governmental activities as of June 30, 2007, with total net assets of \$5,647,915. In its business-type activities, total cash and cash equivalents were \$47,905 with total net assets of \$59,705. The county had total debt principal as of June 30, 2007 of \$2,828,331 with \$230,895 due within the next year.

**Deposits:**

The County's deposits were insured and collateralized by bank securities.

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Krista Romaine, CPA, Member  
Charlotte Clark, Member

# Romaine *and* Associates *P.L.L.C.*

William Erwin, CPA  
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Van Knight, Caldwell County Judge/Executive  
Members of the Caldwell County Fiscal Court

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Caldwell County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Caldwell County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Caldwell County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Caldwell County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statement. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Van Knight, Caldwell County Judge/Executive  
Members of the Caldwell County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Caldwell County, Kentucky's basic financial statements. The combining fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2007 on our consideration of Caldwell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

*Krista L Romaine, CPA*

Krista L Romaine, CPA  
Romaine & Associates, PLLC

November 5, 2007

CALDWELL COUNTY OFFICIALS

For The Year Ended June 30, 2007

**Fiscal Court Members:**

Van Knight	County Judge/Executive
Elbert Bennett	Magistrate
Shirley B. Gray	Magistrate
Bobby Lewis	Magistrate
George B. Kilgore	Magistrate

**Other Elected Officials:**

James "Bridgie" Miller	County Attorney
Jim Blackburn	Jailer
Toni Watson	County Clerk
Stan Hudson	Sheriff
Ronald Wood	Property Valuation Administrator
Eddie Pennington	Coroner

**Appointed Personnel:**

Connie Cartwright	County Treasurer
Janie Kirk	Occupational Tax Collector
Betty Holt	Finance Officer
Wendall Lane	Road Supervisor
David Crenshaw	911 Administrator
Sandy Trusty	Jail Administrative Assistant

**CALDWELL COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

**CALDWELL COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

June 30, 2007

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,551,977	\$ 47,905	\$ 1,599,882
Total Current Assets	<u>1,551,977</u>	<u>47,905</u>	<u>1,599,882</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land & Land Improvement	\$ 444,554	\$ -	\$ 444,554
Buildings	4,326,673		4,326,673
Vehicles and Equipment	937,369	11,800	949,169
Infrastructure Assets - Net of Depreciation	<u>1,215,673</u>		<u>1,215,673</u>
Total Noncurrent Assets	<u>\$ 6,924,269</u>	<u>\$ 11,800</u>	<u>\$ 6,936,069</u>
Total Assets	<u>\$ 8,476,246</u>	<u>\$ 59,705</u>	<u>\$ 8,535,951</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Long-Term Debt, Current Portion	\$ 230,895	\$ -	\$ 230,895
Total Current Liabilities	<u>\$ 230,895</u>	<u>\$ -</u>	<u>\$ 230,895</u>
Noncurrent Liabilities			
Long-Term Debt, Net of Current Portion	\$ 2,597,436	\$ -	\$ 2,597,436
Total Noncurrent Liabilities	<u>\$ 2,597,436</u>	<u>\$ -</u>	<u>\$ 2,597,436</u>
Total Liabilities	<u>\$ 2,828,331</u>	<u>\$ -</u>	<u>\$ 2,828,331</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 4,095,938	\$ 11,800	\$ 4,107,738
Unrestricted	<u>1,551,977</u>	<u>47,905</u>	<u>1,599,882</u>
Total Net Assets	<u>\$ 5,647,915</u>	<u>\$ 59,705</u>	<u>\$ 5,707,620</u>

The accompanying notes are an integral part of the financial statements.



**CALDWELL COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CALDWELL COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,816,141	\$ 8,311	\$ 417,008	\$ -
Protection to Persons and Property	870,768	122,177	502,259	650
General Health and Sanitation	166,853			
Social Services	13,706			
Recreation and Culture	80,327			
Roads	508,392		944,049	
Airports	7,613			
Interest on Long-Term and Short-Term Debt	220,142			
Total Governmental Activities	3,683,942	130,488	1,863,316	650
Business-type Activities:				
Jail Canteen	26,711	35,681		
Total Business-type Activities	26,711	35,681	-	-
Total Primary Government	\$ 3,710,653	\$ 166,169	\$ 1,863,316	\$ 650

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Gain on Sale of Assets

Miscellaneous Revenues

Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning -Restated

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**CALDWELL COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,390,822)	\$ -	\$ (1,390,822)
(245,682)		(245,682)
(166,853)		(166,853)
(13,706)		(13,706)
(80,327)		(80,327)
435,657		435,657
(7,613)		(7,613)
(220,142)		(220,142)
<u>\$ (1,689,488)</u>	<u>\$ -</u>	<u>\$ (1,689,488)</u>
	8,970	8,970
<u>-</u>	<u>8,970</u>	<u>8,970</u>
<u>\$ (1,689,488)</u>	<u>\$ 8,970</u>	<u>\$ (1,680,518)</u>
\$ 297,862	\$ -	\$ 297,862
47,797		47,797
76,498		76,498
1,646,906		1,646,906
2,293		2,293
-	1,123	1,123
58,638		58,638
13,570	259	13,829
<u>\$ 2,143,564</u>	<u>\$ 1,382</u>	<u>\$ 2,144,946</u>
454,076	10,352	464,428
5,193,839	49,353	5,243,192
<u>\$ 5,647,915</u>	<u>\$ 59,705</u>	<u>\$ 5,707,620</u>

The accompanying notes are an integral part of the financial statements.

**CALDWELL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

**CALDWELL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Jail Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 727,224	\$ 657,787	\$ 37,057	\$ 129,909	\$ 1,551,977
Total Assets	<u>727,224</u>	<u>657,787</u>	<u>37,057</u>	<u>129,909</u>	<u>1,551,977</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$ 29,575	\$ 29,155	\$ 3,255	\$ 8,189	\$ 70,174
Unreserved:					
General Fund	697,649				697,649
Special Revenue Funds		628,632	33,802	121,720	784,154
Total Fund Balances	<u>\$ 727,224</u>	<u>\$ 657,787</u>	<u>\$ 37,057</u>	<u>\$ 129,909</u>	<u>\$ 1,551,977</u>

**Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:**

Total Fund Balances	\$ 1,551,977
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	8,810,575
Accumulated Depreciation	(1,886,306)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations Payable	(333,331)
Bonded Debt	(2,495,000)
Net Assets Of Governmental Activities	<u>\$ 5,647,915</u>

The accompanying notes are an integral part of the financial statements.

**CALDWELL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CALDWELL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Jail Fund</b>	<b>Non- Major Funds</b>
<b>REVENUES</b>				
Taxes	\$ 1,948,579	\$ -	\$ -	\$ 79,649
In Lieu Tax Payments	40,744			
Excess Fees	2,293			
Licenses and Permits	8,311			
Intergovernmental	441,207	944,049	179,388	299,413
Charges for Services	14,000		108,177	
Miscellaneous	34,329	5,521	16,109	2,679
Interest	7,018	5,696	202	654
Total Revenues	<u>2,496,481</u>	<u>955,266</u>	<u>303,876</u>	<u>382,395</u>
<b>EXPENDITURES</b>				
General Government	\$ 1,052,439	\$ -	\$ -	\$ 25,539
Protection to Persons and Property	44,884		387,674	391,938
General Health and Sanitation	51,117			58,817
Social Services	12,884			822
Recreation and Culture	77,000			
Roads		358,243		34,948
Airports	7,613			
Capital Outlay	47,935	394,036		
Debt Service	382,652			56,346
Administration	405,640	116,833	133,549	13,610
Total Expenditures	<u>2,082,164</u>	<u>869,112</u>	<u>521,223</u>	<u>582,020</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>414,317</u>	<u>86,154</u>	<u>(217,347)</u>	<u>(199,625)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	116,987	-	230,000	183,340
Transfers To Other Funds	(413,340)	(116,987)		
Total Other Financing Sources (Uses)	<u>(296,353)</u>	<u>(116,987)</u>	<u>230,000</u>	<u>183,340</u>
Net Change in Fund Balances	117,964	(30,833)	12,653	(16,285)
Fund Balances - Beginning-restated	609,260	688,620	24,404	146,194
Fund Balances - Ending	<u>\$ 727,224</u>	<u>\$ 657,787</u>	<u>\$ 37,057</u>	<u>\$ 129,909</u>

The accompanying notes are an integral part of the financial statements.

**CALDWELL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

**Total**  
**Governmental**  
**Funds**

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\$ 2,028,228  
40,744  
2,293  
8,311  
1,864,057  
122,177  
58,638  
13,570  


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4,138,018

\$ 1,077,978  
824,496  
109,934  
13,706  
77,000  
393,191  
7,613  
441,971  
438,998  
669,632  


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4,054,519

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83,499

530,327  
(530,327)  


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-

83,499  
1,468,478  


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\$ 1,551,977



**CALDWELL COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CALDWELL COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**Reconciliation of The Statement of Revenues, Expenditures, And Changes  
In Fund Balances Of Governmental Funds To The Statement Of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ 83,499
<p>Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital Outlay	441,971
Depreciation Expense	(290,250)
<p>Lease and Bond Principal Payments Are Expensed in the Governmental Funds As a Use of Current Financial Resources. However, these Amounts Decrease Non-current Liabilities on the Statement of Net Assets and Have Been Eliminated on the Statement of Activities</p>	
Financing Obligations Principal Amounts	128,856
Bond Payments	90,000
Change in Net Assets of Governmental Activities	<u>\$ 454,076</u>

**CALDWELL COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**

**CALDWELL COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 47,905
Total Current Assets	<u>\$ 47,905</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	\$ 14,750
Less Accumulated Depreciation	<u>(2,950)</u>
Total Noncurrent Assets	<u>\$ 11,800</u>
Total Assets	<u><u>\$ 59,705</u></u>
<b>Net Assets</b>	
Invested in Capital Assets,	
Net of Related Debt	\$ 11,800
Unrestricted	47,905
Total Net Assets	<u><u>\$ 59,705</u></u>

The accompanying notes are an integral part of the financial statements.

**CALDWELL COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CALDWELL COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 35,681
Total Operating Revenues	<u>\$ 35,681</u>
<b>Operating Expenses</b>	
Cost of Sales	\$ 23,722
Depreciation	2,950
Miscellaneous	39
Total Operating Expenses	<u>26,711</u>
Operating Income (Loss)	<u>\$ 8,970</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	\$ 259
Gain on Sale of Asset	<u>1,123</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 1,382</u>
Change In Net Assets	10,352
Total Net Assets - Beginning	49,353
Total Net Assets - Ending	<u><u>\$ 59,705</u></u>

The accompanying notes are an integral part of the financial statements.

**CALDWELL COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CALDWELL COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 35,681
Cost of Sales	(23,722)
Miscellaneous	(39)
Net Cash Provided By Operating Activities	\$ 11,920
<b>Cash Flows From Capital and Related Financing Activities</b>	
Proceeds from Sale of Assets	\$ 8,410
Acquisition of Capital Assets	(14,750)
Net Cash (Used) Provided By Capital and Related Financing Activities	\$ (6,340)
<b>Cash Flows From Investing Activities</b>	
Interest Earned	\$ 258
Net Cash Provided By Investing Activities	\$ 258
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 5,838
Cash and Cash Equivalents - July 1	42,067
Cash and Cash Equivalents - June 30	\$ 47,905

The accompanying notes are an integral part of the financial statements.



**CALDWELL COUNTY**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>Business-Type Activities - Enterprise Fund</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	<b>Jail Canteen Fund</b>
Operating Income (Loss)	\$ 8,970
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>2,950</u>
Net Cash Provided By Operating Activities	<u>\$ 11,920</u>

**CALDWELL COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

**CALDWELL COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

	<u>Agency Fund</u>
	<u>Flexible</u>
	<u>Spending Account</u>
	<u>Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 3,674
Total Assets	\$ 3,674
<b>LIABILITIES</b>	
Amounts Held In Custody For Others	\$ 3,674
Total Liabilities	\$ 3,674

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**CALDWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Caldwell County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no blended or discretely presented component units.

**C. Caldwell County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Caldwell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Caldwell County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**CALDWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

**CALDWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, and Ambulance Fund.

**Special Revenue Funds:**

The Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and Ambulance Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. Caldwell County has only one agency fund, the Flexible Spending Account Fund. The Flexible Spending Account Fund is used to account for employee's monies held by the county for medical reimbursement purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

**CALDWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	5-15
Infrastructure	\$ 20,000	10-50

**G. Long-term Debts**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.



**CALDWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Joint Ventures**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Caldwell County Fiscal Court:

Pennyrile Emergency Assistance Center

The Caldwell County Fiscal Court has retained an ongoing financial responsibility for the Pennyrile Emergency Assistance Center. The Center is a joint venture between the Fiscal Court and The City of Princeton "to provide a centralized dispatch service for cooperative ambulance, fire, rescue, emergency, and law enforcement agencies" within the county and city. The Fiscal Court and the City of Princeton are each responsible for fifty percent of the basic administrative included in the budget of the Center. During the fiscal year 2007, the Fiscal Court paid \$52,500 to the Center.

**CALDWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Joint Ventures (Continued)**

Pennyrile Westpark Industrial Development Authority

The Caldwell County Fiscal Court has retained an ongoing financial responsibility for the Pennyrile Westpark Industrial Development Authority (PARK). The Pennyrile Westpark Industrial Development Authority is a joint venture between the Fiscal Court and the Counties of Crittenden, Livingston, Lyon, and Trigg "for the purpose of acquiring and developing land, marketing sites, and assisting and supporting tenants at the Park in order to stimulate and promote economic development in the jurisdictions" All parties are responsible for fifteen percent of the basic administrative included in the budget of the Park except for Lyon County, which is responsible for forty percent. During the fiscal year 2007, the Fiscal Court did not pay the Park any funds due to there not being activity within the organization for the year.

**K. Jointly Governed Organizations**

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based upon these criteria, the Princeton-Caldwell County Industrial Development Authority and the City-County Park are considered to be jointly governed organizations of the Caldwell County Fiscal Court.

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41,240(4). As of June 30, 2007, all deposits of the primary government were covered by FDIC insurance or a properly executed collateral security agreement.

**CALDWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 239,300	\$	\$ -	\$ 239,300
Total Capital Assets Not Being Depreciated	239,300	-	-	239,300
Capital Assets, Being Depreciated:				
Land Improvements	227,522	-	-	227,522
Buildings	5,201,549	20,672	-	5,222,221
Vehicles and Equipment	1,652,470	103,847		1,756,317
Infrastructure	1,047,763	317,452		1,365,215
Total Capital Assets Being Depreciated	8,129,304	441,971	-	8,571,275
Less Accumulated Depreciation For:				
Land Improvements	(14,645)	(7,623)		(22,268)
Buildings	(800,843)	(94,705)		(895,548)
Vehicles and Equipment	(694,799)	(124,149)	-	(818,948)
Infrastructure	(85,769)	(63,773)		(149,542)
Total Accumulated Depreciation	(1,596,056)	(290,250)	-	(1,886,306)
Total Capital Assets, Being Depreciated, Net	6,533,248	151,721	-	6,684,969
Governmental Activities Capital Assets, Net	\$ 6,772,548	\$ 151,721	\$ 0	\$ 6,924,269
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 11,000	\$ 14,750	\$ (11,000)	\$ 14,750
Total Capital Assets Being Depreciated	11,000	14,750	(11,000)	14,750
Less Accumulated Depreciation For:				
Vehicles and Equipment	(3,714)	(2,950)	3,714	(2,950)
Total Accumulated Depreciation	(3,714)	(2,950)	3,714	(2,950)
Total Capital Assets, Being Depreciated, Net	7,286	11,800	(7,286)	11,800
Business-Type Activities Capital Assets, Net	\$ 7,286	\$ 11,800	\$ (7,286)	\$ 11,800

**CALDWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 68,531
Protection to Persons and Property	46,272
General Health and Sanitation	56,919
Recreation and Culture	3,327
Roads, Including Depreciation of General Infrastructure Assets	<u>115,201</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 290,250</u>

Business-Type Activities

Jail Canteen	<u>\$ 2,950</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,950</u>

**Note 4. Short-Term Debt**

In July, 2006, Caldwell County voted to participate in the Kentucky Association of Counties Advance Revenue Program (KARP) for the purchase of tax and revenue anticipation notes for the 2006-2007 fiscal year in the General Fund by issuing a note in the amount of \$103,800, with principal and interest being due in January 2007. For the fiscal year, the County earned interest of \$3,458 and paid interest of \$2748. As of June 30, 2007, all principal and interest amounts associated with the notes had been paid.

Changes In Short-term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Kentucky Advanced Revenue Program	<u>\$ -</u>	<u>\$ 103,800</u>	<u>\$ 103,800</u>	<u>\$ -</u>
Governmental Activities Short-term Liabilities	<u>\$ -</u>	<u>\$ 103,800</u>	<u>\$ 103,800</u>	<u>\$ -</u>

**CALDWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**  
**(Continued)**

**Note 5. Long-Term Debt**

**A. General Obligations Refunding Bonds, Series 1999 (Hospital Revenue Bonds)**

The fiscal court issued series 1999 bonds in the amount of \$3,175,000 for the purpose of refunding Series 1996 bonds. Interest on the bonds is payable each January and July 1, beginning January 1, 2000. These bonds were issued in principal amounts of \$5,000 and integral multiples thereof and mature at various dates beginning January 1, 2000 through January 1, 2024. The bonds are subject to redemption prior to maturity. Bonds and interest outstanding as of June 30, 2007 are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 95,000	\$ 131,560
2009	100,000	126,620
2010	105,000	122,320
2011	110,000	115,960
2012	115,000	110,186
2013-2017	675,000	453,539
2018-2022	875,000	255,728
2023-2024	420,000	33,656
Totals	<u>\$ 2,495,000</u>	<u>\$ 1,349,569</u>

**B. Courthouse Annex**

The Caldwell County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the construction of the courthouse annex for \$215,000. The terms of the lease agreement are 15 annual principal payments and monthly interest payments at an interest rate of 5.69%. The Fiscal Court was in compliance with the terms of the agreement as of June 30, 2007. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 19,000	\$ 3,363
2009	19,000	2,199
2010	20,000	783
Totals	<u>\$ 58,000</u>	<u>\$ 6,345</u>

**CALDWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**C. Ambulance Service Building**

The Caldwell County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the construction of an ambulance building for \$300,000. The terms of the lease agreement are 15 annual principal payments and monthly interest payments at an interest rate of 5.35%. The Fiscal Court was in compliance with the terms of the agreement as of June 30, 2007. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 24,000	\$ 5,801
2009	25,000	4,244
2010	26,000	2,624
2011	26,000	967
Totals	<u>\$ 101,000</u>	<u>\$ 13,636</u>

**D. Fire Truck**

In November 2003, the Caldwell County Fiscal Court refinanced \$137,000 with the Kentucky Area Development District Leasing Fund (KADD). The original lease purchase agreement for \$200,000 was signed in April 1999 for the purchase of a fire truck. The terms of the lease agreement are biannual principal and interest payments due in November and May with an average interest rate of 3.07%. The Fiscal Court was in compliance with the terms of the agreement as of June 30, 2007. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 24,000	\$ 1,490
2009	23,000	916
Totals	<u>\$ 47,000</u>	<u>\$ 2,406</u>

**E. E-911 Equipment**

The Caldwell County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of E-911 equipment for \$142,840. The terms of the lease agreement are 5 annual principal payments and monthly interest payments at a variable rate of interest.

**CALDWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**E. E-911 Equipment (Continued)**

The Fiscal Court was in compliance with the terms of the agreement as of June 30, 2007. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 30,492	\$ 762
Totals	<u>\$ 30,492</u>	<u>\$ 762</u>

**F. Fire Equipment**

The Caldwell County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of fire equipment for \$80,000. The terms of the lease agreement are 5 annual principal payments and monthly interest payments at an interest rate of 2.67%. The Fiscal Court was in compliance with the terms of the agreement as of June 30, 2007. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 17,000	\$ 332
Totals	<u>\$ 17,000</u>	<u>\$ 332</u>

**G. Rescue Truck**

The Caldwell County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of a rescue truck for \$110,000. The terms of the lease agreement are 5 annual principal payments and monthly interest payments at an interest rate of 4.25%.

**CALDWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**G. Rescue Truck (Continued)**

The Fiscal Court was in compliance with the terms of the agreement as of June 30, 2007. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 21,403	\$ 3,639
2009	22,501	2,644
2010	23,656	1,492
2011	12,279	296
Totals	<u>\$ 79,839</u>	<u>\$ 8,071</u>

**H. Changes in Long-Term Debt**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 2,585,000	\$ -	\$ 90,000	\$ 2,495,000	\$ 95,000
Financing Obligations	462,187	-	128,856	333,331	135,895
Governmental Activities Long-term Debt	<u>\$ 3,047,187</u>	<u>\$ -</u>	<u>\$ 218,856</u>	<u>\$ 2,828,331</u>	<u>\$ 230,895</u>

**Note 6. Interest On Short-term Debt and Long-Term Debt**

Interest on Short-Term Debt and Long-Term Debt on the Statement of Activities includes \$220,142 in interest on Financing obligations and general obligation bonds.

**Note 7. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent.



**CALDWELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 8. Deferred Compensation**

The Caldwell County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 9. Insurance**

For the fiscal year ended June 30, 2007, Caldwell County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Prior Period Adjustments**

The General Fund balance of \$727,224 has been adjusted to include a prior year voided check in the amount of \$280 for a prior period adjustment.

**CALDWELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**

**CALDWELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2007**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 1,665,560	\$ 1,666,153	\$ 1,948,579	\$ 282,426
In Lieu Tax Payments	36,500	36,500	40,744	4,244
Excess Fees	2,420	2,420	2,293	(127)
Licenses and Permits	3,200	3,200	8,311	5,111
Intergovernmental Revenue	538,640	638,640	441,207	(197,433)
Charges for Services		14,000	14,000	
Miscellaneous	17,288	31,189	34,329	3,140
Interest	5,500	5,500	7,018	1,518
Total Revenues	<u>\$ 2,269,108</u>	<u>\$ 2,397,602</u>	<u>\$ 2,496,481</u>	<u>\$ 98,879</u>
<b>EXPENDITURES</b>				
General Government	\$ 930,741	\$ 1,068,987	\$ 1,052,439	\$ 16,548
Protection to Persons and Property	536,032	514,992	44,884	470,108
General Health and Sanitation	47,284	59,244	51,117	8,127
Social Services	7,700	7,700	12,884	(5,184)
Recreation and Culture	77,000	77,000	77,000	-
Airports	7,613	7,613	7,613	-
Debt Service	394,355	394,355	382,652	11,703
Capital Outlay	100	100	47,935	(47,835)
Administration	431,309	430,637	405,640	24,997
Total Expenditures	<u>\$ 2,432,134</u>	<u>\$ 2,560,628</u>	<u>\$ 2,082,164</u>	<u>\$ 478,464</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (163,026)</u>	<u>\$ (163,026)</u>	<u>\$ 414,317</u>	<u>\$ 577,343</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds	\$ 250,000	\$ 250,000	\$ -	\$ (250,000)
Transfers From Other Funds	116,987	116,987	116,987	-
Transfers To Other Funds	(499,118)	(499,118)	(413,340)	85,778
Total Other Financing Sources (Uses)	<u>\$ (132,131)</u>	<u>\$ (132,131)</u>	<u>\$ (296,353)</u>	<u>\$ (164,222)</u>
Net Changes in Fund Balance	\$ (295,157)	\$ (295,157)	\$ 117,964	\$ 413,121
Fund Balance - Beginning-Restated	<u>295,157</u>	<u>295,157</u>	<u>609,260</u>	<u>314,103</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 727,224</u>	<u>\$ 727,224</u>

**CALDWELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>ROAD AND BRIDGE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 882,970	\$ 882,970	\$ 944,049	\$ 61,079
Miscellaneous	2,000	2,000	5,521	3,521
Interest	2,600	2,600	5,696	3,096
Total Revenues	<u>\$ 887,570</u>	<u>\$ 887,570</u>	<u>\$ 955,266</u>	<u>\$ 67,696</u>
<b>EXPENDITURES</b>				
Roads	\$ 1,214,756	\$ 1,219,367	\$ 358,243	861,124
Capital Outlay			394,036	(394,036)
Administration	145,200	140,589	116,833	23,756
Total Expenditures	<u>\$ 1,359,956</u>	<u>\$ 1,359,956</u>	<u>\$ 869,112</u>	<u>\$ 490,844</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (472,386)</u>	<u>\$ (472,386)</u>	<u>\$ 86,154</u>	<u>\$ 558,540</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	\$ (116,987)	\$ (116,987)	\$ (116,987)	\$ -
Total Other Financing Sources (Uses)	<u>\$ (116,987)</u>	<u>\$ (116,987)</u>	<u>\$ (116,987)</u>	<u>\$ -</u>
Net Changes in Fund Balance	\$ (589,373)	\$ (589,373)	\$ (30,833)	\$ 558,540
Fund Balance - Beginning	589,373	589,373	688,620	99,247
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 657,787</u>	<u>\$ 657,787</u>

**CALDWELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>JAIL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 179,400	\$ 179,400	\$ 179,388	\$ (12)
Charges for Services	76,000	76,000	108,177	32,177
Miscellaneous	7,300	15,710	16,109	399
Interest	200	200	202	2
Total Revenues	<u>\$ 262,900</u>	<u>\$ 271,310</u>	<u>\$ 303,876</u>	<u>\$ 32,566</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	\$ 452,528	\$ 457,293	\$ 387,674	\$ 69,619
Administration	141,150	144,795	133,549	11,246
Total Expenditures	<u>\$ 593,678</u>	<u>\$ 602,088</u>	<u>\$ 521,223</u>	<u>\$ 80,865</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (330,778)</u>	<u>\$ (330,778)</u>	<u>\$ (217,347)</u>	<u>\$ 113,431</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	\$ 315,778	\$ 315,778	\$ 230,000	\$ (85,778)
Total Other Financing Sources (Uses)	<u>\$ 315,778</u>	<u>\$ 315,778</u>	<u>\$ 230,000</u>	<u>\$ (85,778)</u>
Net Changes in Fund Balance	\$ (15,000)	\$ (15,000)	\$ 12,653	\$ 27,653
Fund Balance - Beginning	15,000	15,000	24,404	9,404
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 37,057</u>	<u>\$ 37,057</u>

**CALDWELL COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2007**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**CALDWELL COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2007**

**CALDWELL COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2007**

	<u>LGEA</u> <u>Fund</u>	<u>Ambulance</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 55,430	\$ 74,479	\$ 129,909
Total Assets	<u>\$ 55,430</u>	<u>\$ 74,479</u>	<u>\$ 129,909</u>
<b>FUND BALANCES</b>			
Reserved for:			
Encumbrances	\$ 8,189	\$ -	\$ 8,189
Unreserved:			
Special Revenue Funds	<u>47,241</u>	<u>74,479</u>	<u>121,720</u>
Total Fund Balances	<u>\$ 55,430</u>	<u>\$ 74,479</u>	<u>\$ 129,909</u>



**CALDWELL COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**

**CALDWELL COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2007**

	LGEA Fund	Ambulance Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 40,530	\$ 39,119	\$ 79,649
Intergovernmental	199,465	99,948	299,413
Miscellaneous	2,679		2,679
Interest	447	207	654
Total Revenues	<u>\$ 243,121</u>	<u>\$ 139,274</u>	<u>\$ 382,395</u>
<b>EXPENDITURES</b>			
General Government	\$ 25,539	\$ -	\$ 25,539
Protection to Persons and Property	138,798	253,140	391,938
General Health and Sanitation	58,817	-	58,817
Social Services	822	-	822
Roads	34,948	-	34,948
Debt Service	24,816	31,530	56,346
Administration	13,610	-	13,610
Total Expenditures	<u>\$ 297,350</u>	<u>\$ 284,670</u>	<u>\$ 582,020</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (54,229)</u>	<u>\$ (145,396)</u>	<u>\$ (199,625)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers From Other Funds	\$ -	\$ 183,340	\$ 183,340
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 183,340</u>	<u>\$ 183,340</u>
Net Change in Fund Balances	\$ (54,229)	\$ 37,944	\$ (16,285)
Fund Balances - Beginning	109,659	36,535	146,194
Fund Balances - Ending	<u>\$ 55,430</u>	<u>\$ 74,479</u>	<u>\$ 129,909</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Krista Romaine, CPA, Member  
Charlotte Clark, Member



William Erwin, CPA  
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Van Knight, Caldwell County Judge/Executive  
Members of the Caldwell County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Caldwell County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 5, 2007. Caldwell County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Caldwell County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Caldwell County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Caldwell County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Caldwell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Krista L. Romaine, CPA*

Krista L. Romaine, CPA  
Romaine & Associates, PLLC

November 5, 2007

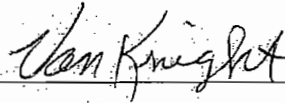
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CALDWELL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2007

The Caldwell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer